

Executive Summary

Introduction

A team of professionals composed of Commonwealth of Virginia staff, IBM and CGI-AMS personnel has designed, developed and executed a due diligence process to gather information and suggestions from the Commonwealth's staff to define areas that may be considered for modernization. This team, called the Enterprise Applications (EA) Team, is under the executive leadership of the Secretary of Finance and the Secretary of Administration and was guided by an EA Steering Committee composed of senior executives from throughout the Commonwealth.

The EA Team is pleased to present the results of the PPEA Enterprise Applications due diligence process. This process has clearly demonstrated that the Commonwealth employs a group of top tier public servants that accomplish incredible control and monitoring of the Commonwealth's administrative business. It is equally clear that the ability to achieve these accomplishments is predicated on seasoned staff with decades of experience with the Commonwealth and the use of numerous aging systems.

Methodology

The Commonwealth directed CGI-AMS and IBM to use the Commonwealth Enterprise Business Architecture (EBA) document as the guide for conducting the due diligence effort. The EBA provided the guidance to select common business areas of the Commonwealth for examination for potential improvements. The EA Team initially worked to focus the due diligence scope on business processes that were deemed in the greatest need of improvement as well as those generally identified as such by the administrative staff population across the Commonwealth.

From the start of the Enterprise Applications due diligence process, the EA Team was committed to following a high touch process that recognized the burden this process was placing on agency staff, while stressing the urgency of taking advantage of this opportunity to streamline business processes. The EA Team began by conducting foundation interviews with central control agencies and selected operating agencies with primary responsibility for owning the business processes the EA Team hoped to examine.

Based on the results of the foundation interviews, the EA Team developed a detailed survey vehicle to solicit agency input on 19 discrete business processes that represented four "towers," or EBA groupings of business functions:

- Administrative Management
- Financial Management
- Human Resources Management
- Supply Chain Management

In addition to these four towers, the Information Technology Management component of the Enterprise Business Architecture specifically related to these towers was included in the survey. Information Technology Management includes the application software and the IT staff (e.g. programmers, systems analysts) necessary to operate and maintain these applications. The EA Steering Committee reviewed and commented on the questions developed for the survey process and ultimately approved the content of the questions for the participating agencies.

Once the survey instrument was approved and finalized, the EA Team conducted face-to-face meetings with each of the 46 agencies to introduce the survey and help them understand the process. In total, the EA Team asked almost 700 questions of the participating agencies to gain a better understanding of the “as is” environment of the Commonwealth.

After agencies completed their surveys, about one third were selected for follow-up interviews designed to elicit more detailed information about a given process or function based upon their survey responses. In addition, another third of the agencies requested a meeting with the EA Team. In total, over 90 meetings were conducted with the participating agencies. Finally, a series of data requests were made to gather information from central systems and used to validate the information received independently from the agencies.

The end product of this due diligence effort is a compilation of the facts and professional opinions of the Commonwealth’s staff regarding enterprise support for their daily performance of the business functions of the Commonwealth. In many ways, the data gathered as a result of due diligence is the “voice of the Commonwealth staff”—directing our energies to those areas where help is needed and can reasonably be expected to generate efficiencies in the daily operation of the Commonwealth.

Agency Participation

Agency participation was critical to the success of due diligence, and the EA Team took several measures to increase participation. First, the EA Team was especially sensitive to the workload of the agencies and took care, as best it could, to make sure the survey and interview process minimally disrupted their daily responsibilities. A web-based survey tool was used to allow agency personnel to enter their survey responses in a manner that was simple to use and easily accessible. Minimal paperwork and manual submission was required and all meetings were scheduled in advance through a single point-of-contact for each agency.

Second, the EA Team was sensitive to agency personnel morale concerns and took steps to minimize the fallout from this data gathering process. The survey did not ask for individual employee-level information, thereby respecting the concern of managers that this process should not fuel job security concerns among employees. In addition, the survey questions were carefully scrutinized to eliminate redundancies and to ensure that the information requested was essential to document the Commonwealth’s current business practices as well as to elicit insightful opinions by the Commonwealth’s professional staff.

Third, this was a “high-touch” process by which the EA Team conducted a face-to-face meeting with each agency to provide an explanation of the EA project, the survey tool and our time restraints. Highly respected and well known managers from the Commonwealth’s central support

agencies assigned to the EA Team accompanied all visits by vendors to the agencies. The EA Team also provided a personal point of contact for each agency to turn to if they had questions or needed clarification.

Fourth, a comprehensive communications campaign was executed throughout the due diligence process. Agency staff were encouraged to contact Commonwealth EA Team members at any time if they needed guidance or assistance.

Finally, the executive sponsorship for the effort came from the highest levels of the Commonwealth and the importance of the project was communicated effectively and repeatedly to agency management.

Observations

A well planned and carefully executed process has achieved its intended results. We successfully surveyed 46 agencies in less than four weeks. We conducted over 90 face-to-face interviews and follow-up discussions with the agencies. In spite of the obvious extra work involved, the Commonwealth staff embraced the process and were forthcoming with their ideas for improvement, as well as in describing the difficulties in performing their daily work.

Virginia operates a highly decentralized model of service delivery and administration over the Executive Branch agencies. This decentralization brings both benefits and burdens. It promotes initiative at the agency level, demonstrated by their largely self-contained solutions to the enterprise support challenges of the Commonwealth. It also spawns duplication of effort and redundancy that costs the Commonwealth both financially and in staff productivity.

The data on overall costs associated with the performance of these business functions is illustrative of these impacts. In the surveyed agencies, the aggregate annual costs of providing these services are in excess of \$300 million per year. Of this total, the Information Technology Management costs were relatively small when compared to all other functions (they do not include either the hosting/infrastructure costs or the monthly operations fees for these services, because these costs are addressed in the parallel Infrastructure PPEA project). When measured as a percent of total spend, each of the towers reveal their relative cost as follows:

- Administrative Management = annual cost is approximately \$86 million.
- Human Resources Management = annual cost is approximately \$36 million.
- Supply Chain = annual cost is approximately \$56 million.
- Financial Management = annual cost is approximately \$117 million.
- IT Applications Management = annual cost is approximately \$13 million.

The bulk of these costs are personnel and contractor-related expenses. Nonetheless, this quantitative perspective suggests opportunities to benefit from streamlining business processes and modernizing enterprise applications.

The EA Team also conducted two interviews on the topic of change readiness. There was a clear message from these interviews, as well as the foundation interviews and the survey results, that the ability to manage the change related to any Enterprise Application initiatives will be an

important element for success. We believe that the Commonwealth has created great momentum within the Executive Branch of government to launch an enterprise campaign. Managing the change through empowered user advisory committees, strong communication, and an inclusive, high touch methodology will be instrumental to success.

CGI-AMS and IBM have experienced strong executive leadership throughout this process. The EA Team has gathered a significant amount of information from a large number of agencies in an extremely short time period. This is testament to the Commonwealth's ability to pull together as a team when the challenge requires that behavior.

Conclusion

The due diligence process has yielded a vast amount of information and ideas upon which the vendors will rely to complete their respective detailed proposals. The process has also produced for the Commonwealth a significant collection of facts and opinions to consider in evaluating the business case for moving forward with the implementation phase of the PPEA for Enterprise Applications.

This process has created an atmosphere of inclusion among the many employees and agencies that participated. The process has generated some momentum and excitement regarding the potential that an enterprise-focused reengineering effort affords. We believe that this environment will provide an excellent point of departure for whatever course of action the Commonwealth chooses to follow. The EA Team has made strides in creating a common framework for future discussions and has helped to focus the Commonwealth on areas that deserve serious consideration for change at the enterprise level.

About this Deliverable

The subsequent sections of this Due Diligence deliverable provide the following information for each of the towers studied:

- Tower Summary
- Business Function Assessment as reported by Commonwealth agency staff.
 - As-Is Environment: Strengths
 - As-Is Environment: Weaknesses
 - As-Is Environment: Resources Required
 - Human
 - Technology
 - To-Be Preliminary Assessment
 - Commonwealth Recommendations
 - Consistency with Best Practices
 - Business Process Decomposition
- Appendices of Survey Reports
- Data set by tower (provided on CD only)

- All survey responses
- interview write-ups
- Information technology summaries by tower
- list of documents requested and used